

# World Crisis and Its Impacts on Brazil

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Ministério  
da Fazenda

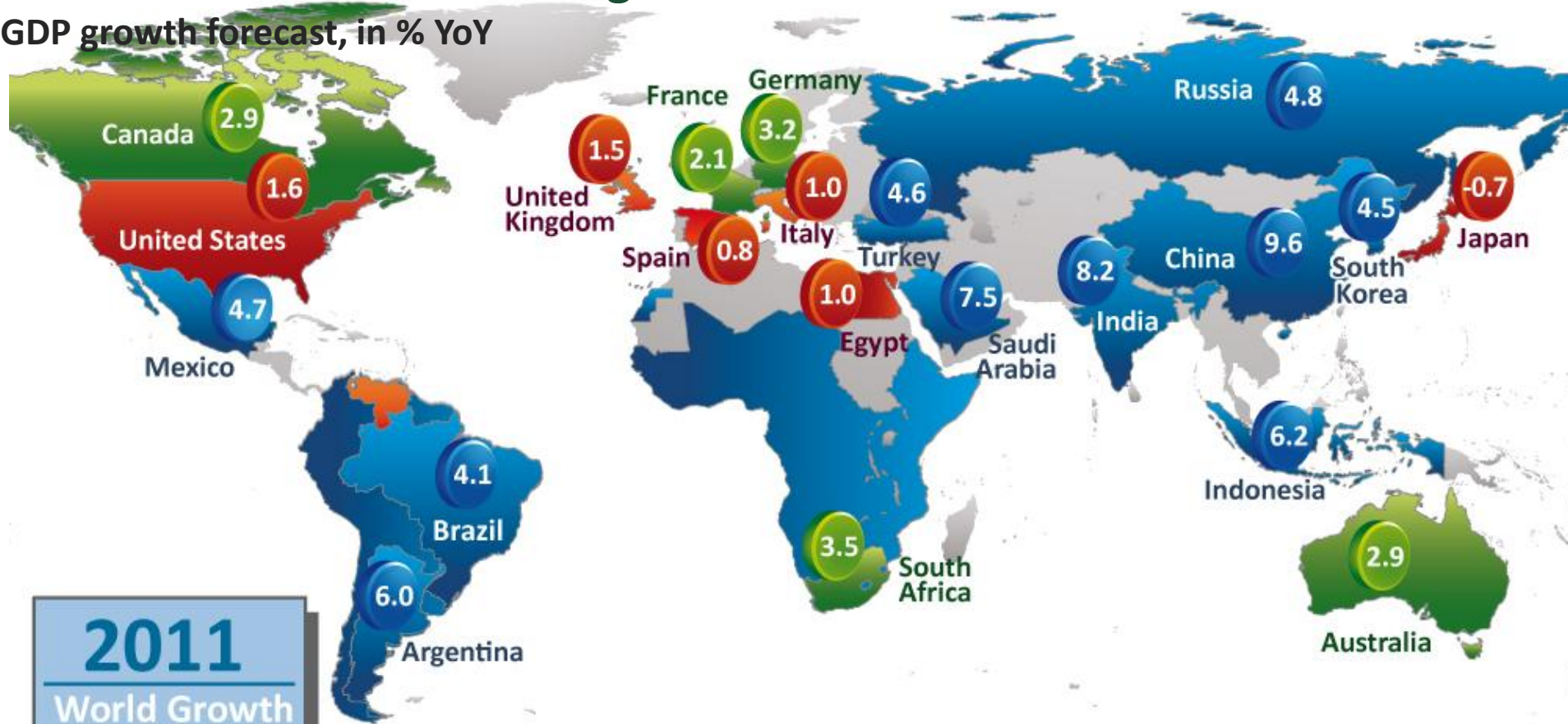
***Brazil: Gateway to Emerging Markets and Beyond***  
**Clinton Global Initiative and Brazilian Global Leaders**  
**New York, September 20, 2011**

# Global economy has deteriorated in the last months

- ✓ The 2008 financial crisis was not overcome in advanced economies.
- ✓ Pessimistic analysts mention new financial crisis and recession (or stagnation) in advanced economies.
- ✓ The core of the crisis is currently in Europe.
- ✓ European leaders are taking too much time to solve Greek and other countries' troubles and to capitalize European banks.
- ✓ Day after day the crisis is deeper and its solution is more expensive.
- ✓ The US could help by recovering faster. President Obama's employment program goes on the right direction.

What will happen to emerging economies such as Brazil? If crisis does not become worse: low growth in developed economies, but emerging countries could continue to grow

GDP growth forecast, in % YoY



**2011**

World Growth

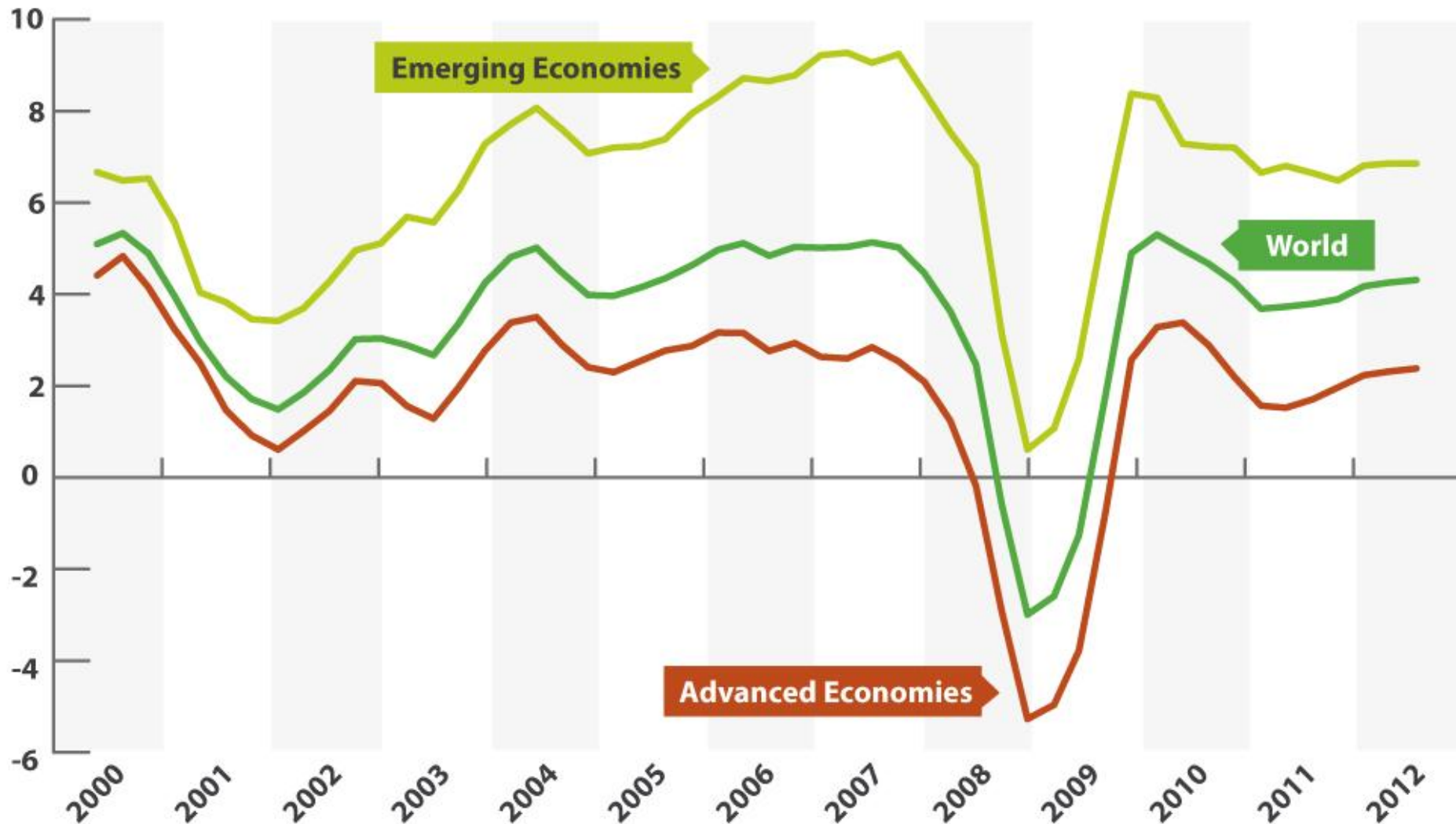
<span style="color: blue;">■</span> Above 4%	High growth; Job creation; More balanced situation for the Public Sector
<span style="color: green;">■</span> Between 2% and 4%	
<span style="color: red;">■</span> Below 2%	Low growth; High unemployment; High debt and high deficit

Source: IMF World Economic Outlook (June 2011)

Produced by: Ministry of Finance

# Emerging economies growth above average

Real GDP, in quarterly percent change vis-à-vis one year earlier



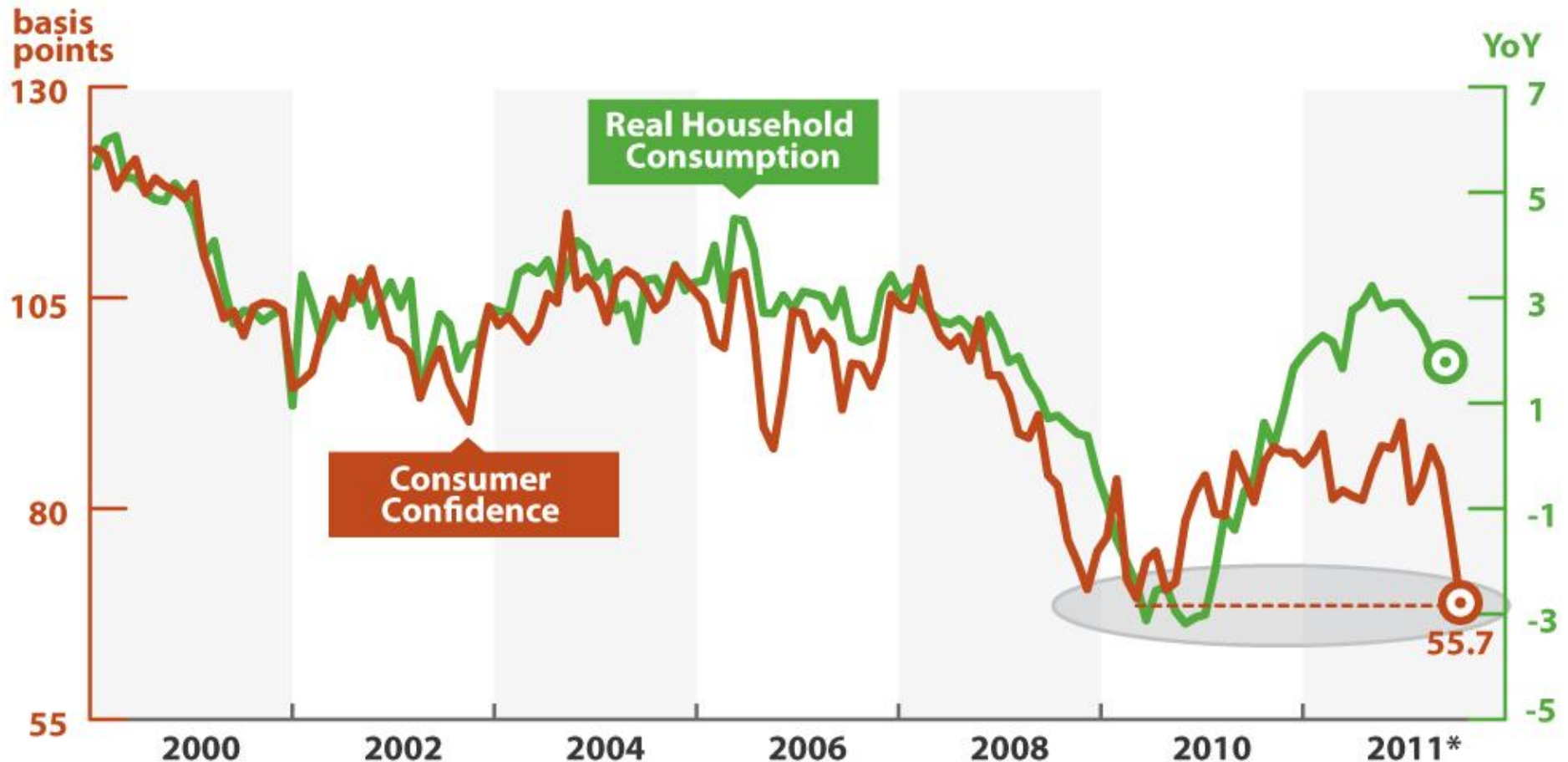
Source: IMF

Produced by: Ministry of Finance

# Crisis of confidence

## Consumer confidence returns to 2008 levels

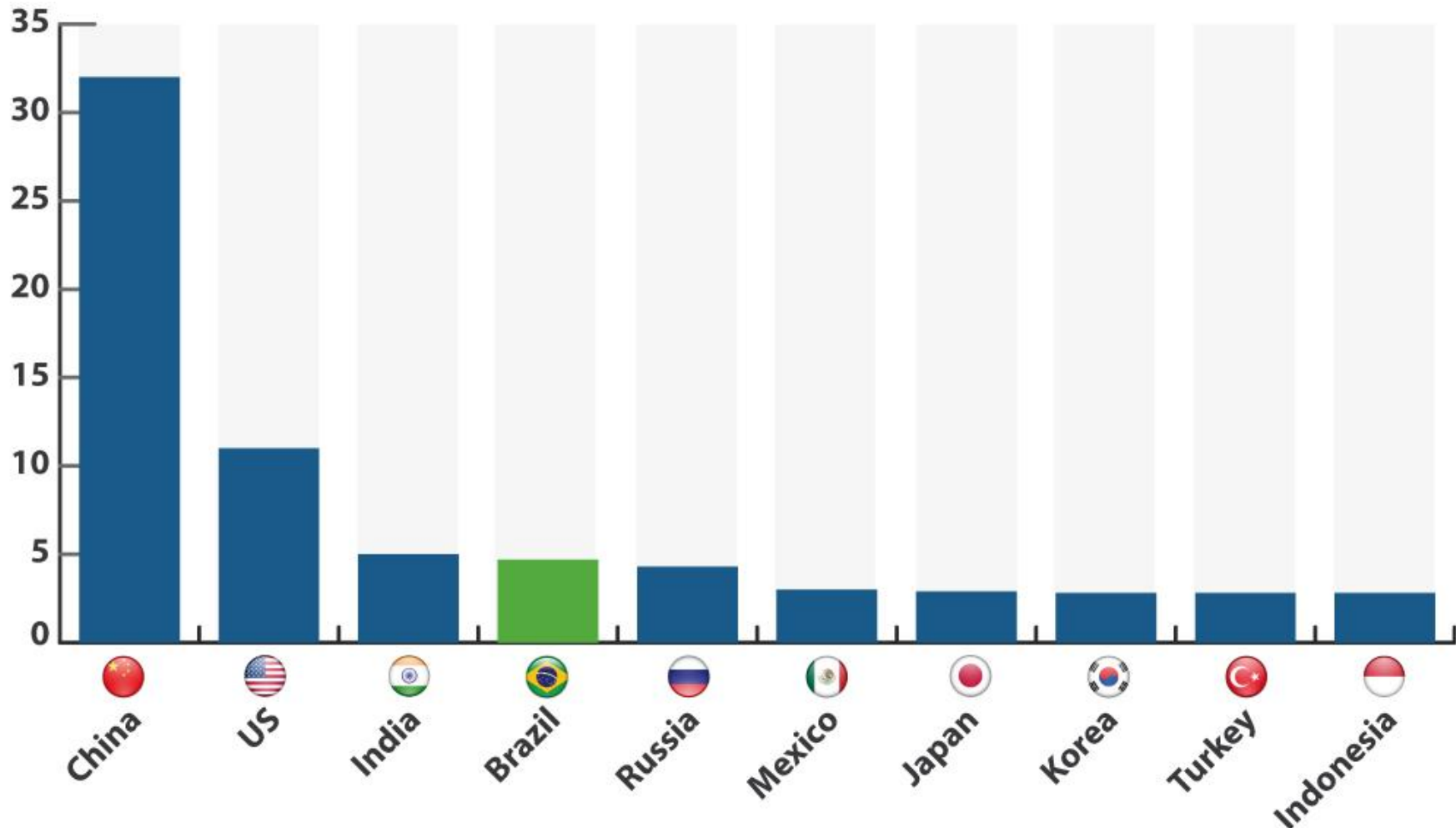
US consumer confidence index, in basis points, and annual change of household consumption, in %



Source: Conference Board and Standard & Poor's  
Produced by: Ministry of Finance

# Emerging countries' contribution to global economy on the rise

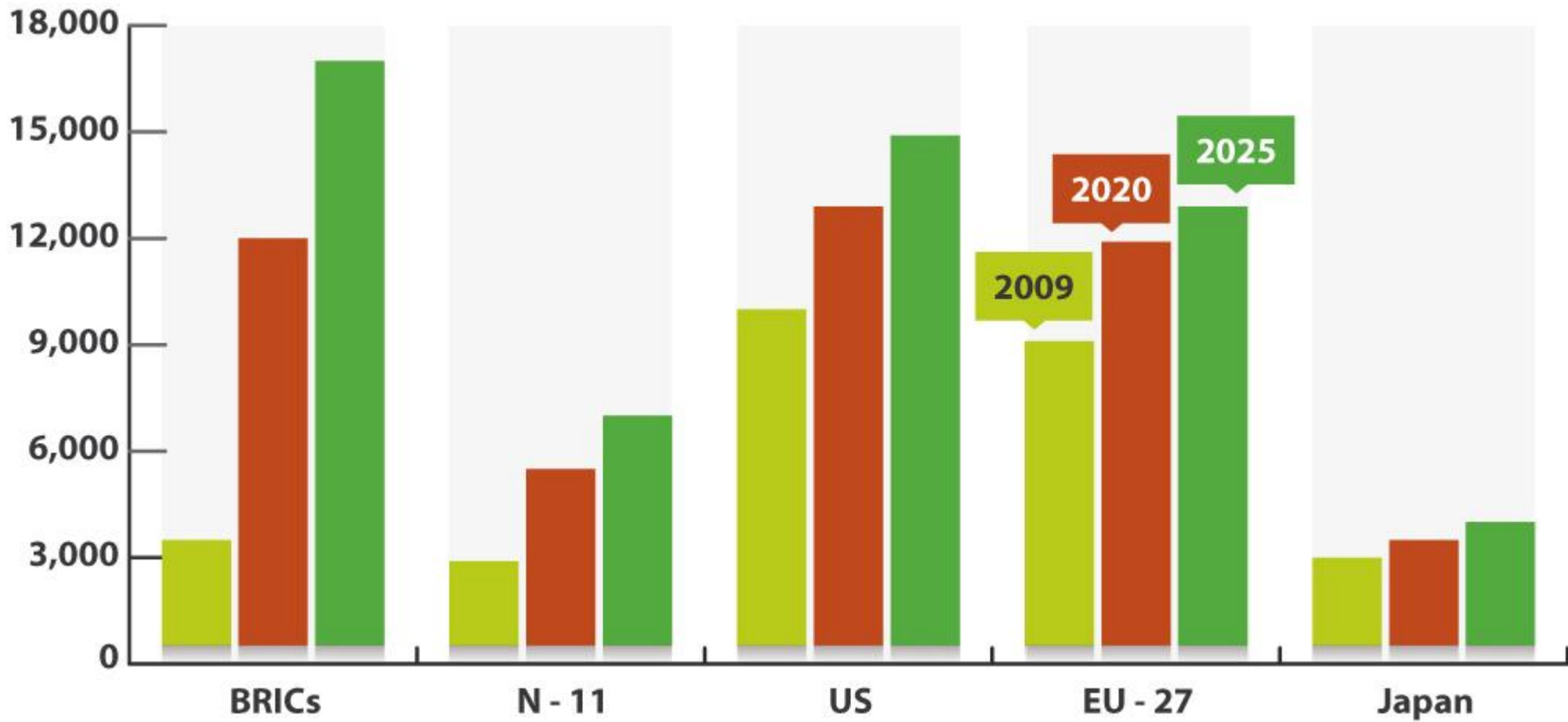
Share of total world GDP growth, 2010-2019, in %



Source: Goldman Sachs  
Produced by: Ministry of Finance

# Consumption will be stronger in BRIC countries

In 2009 US\$ billion



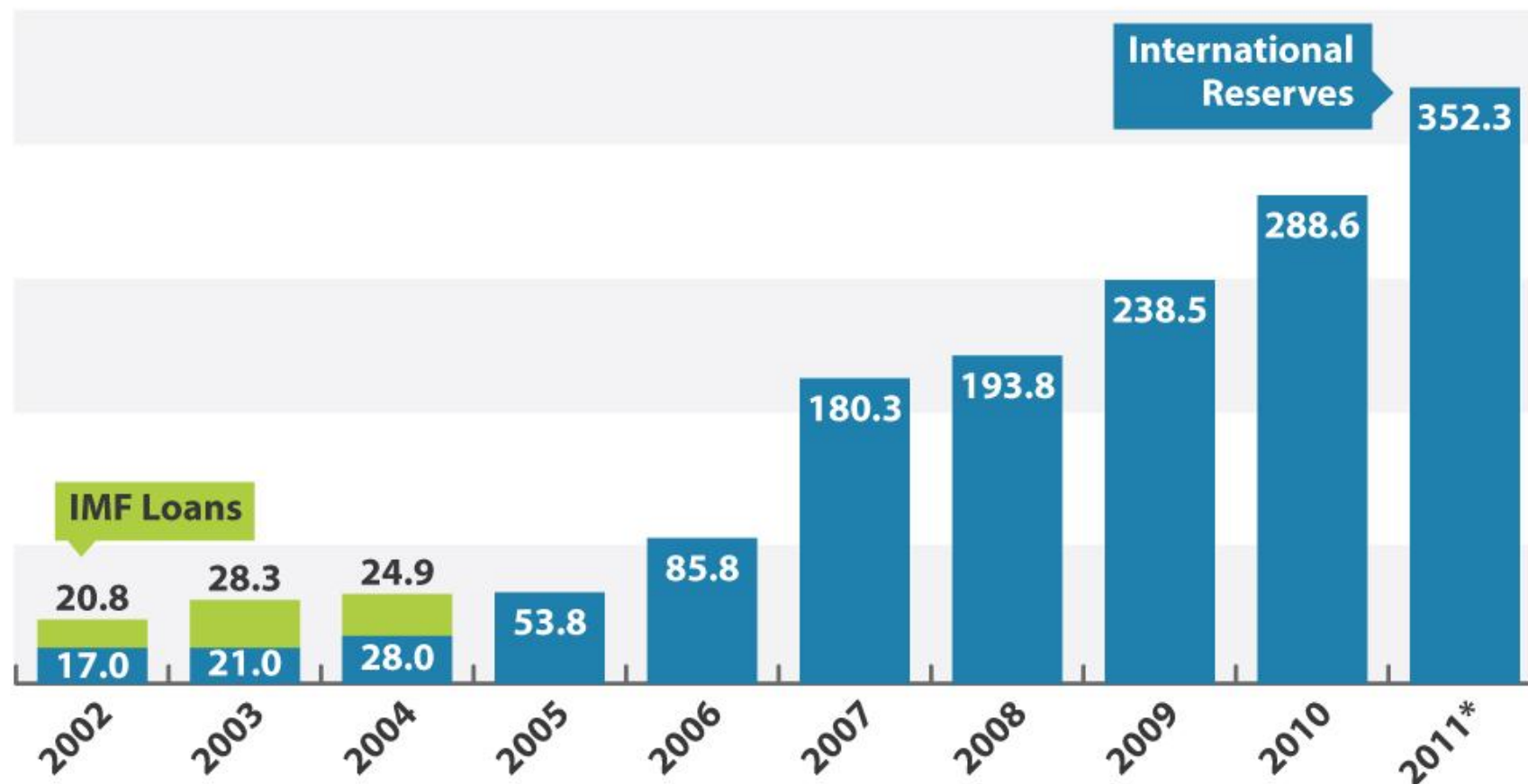
N-11 (Next-11): Eleven most populous emerging countries after the BRICs.

Source: Goldman Sachs  
Produced by: Ministry of Finance

# Brazil is prepared to face crisis deterioration

## International reserves

In US\$ billion

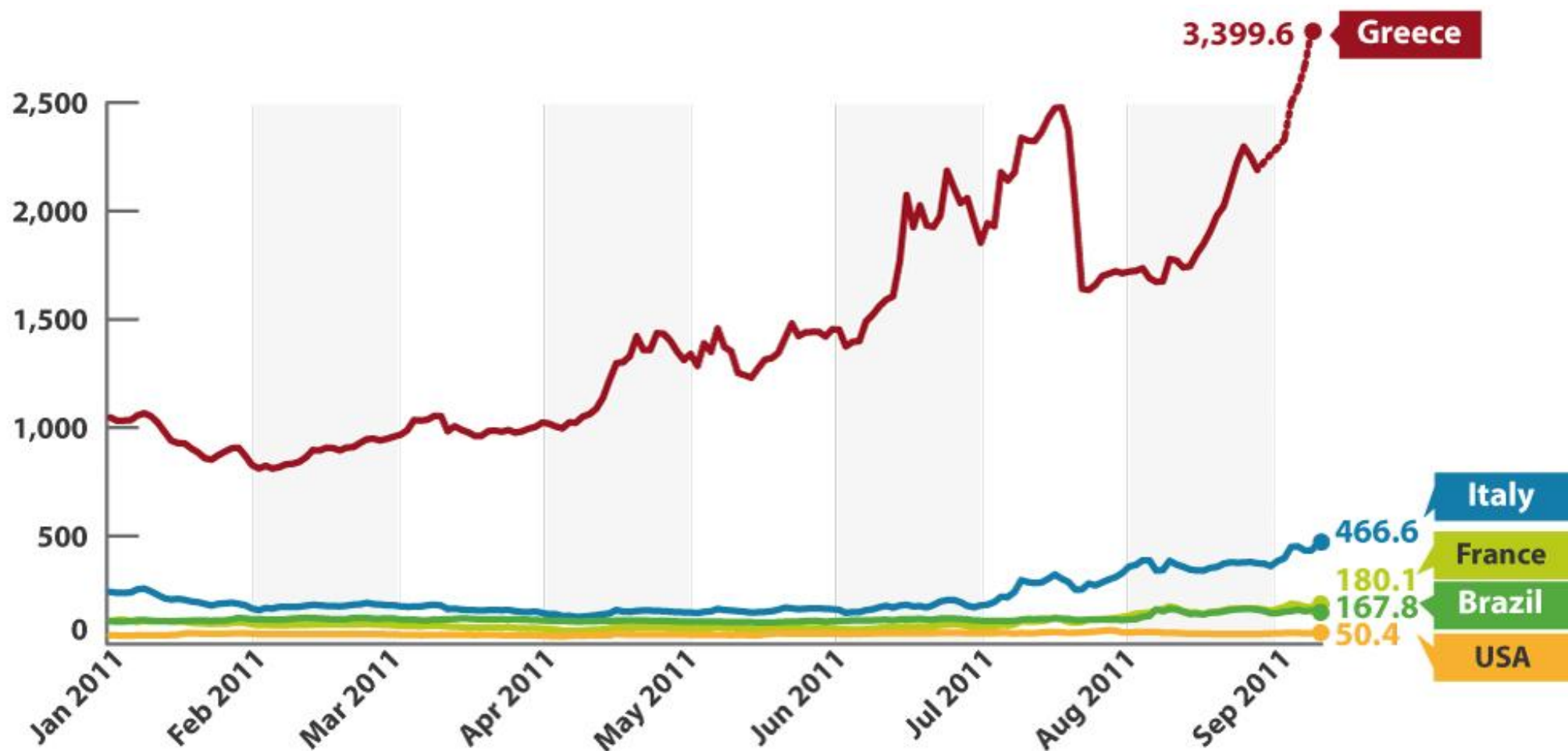


\* On September 12th, 2011.

Source: Central Bank of Brazil  
Produced by: Ministry of Finance

# More confidence in Brazil

5-year CDS (Credit Default Swap), in basis points

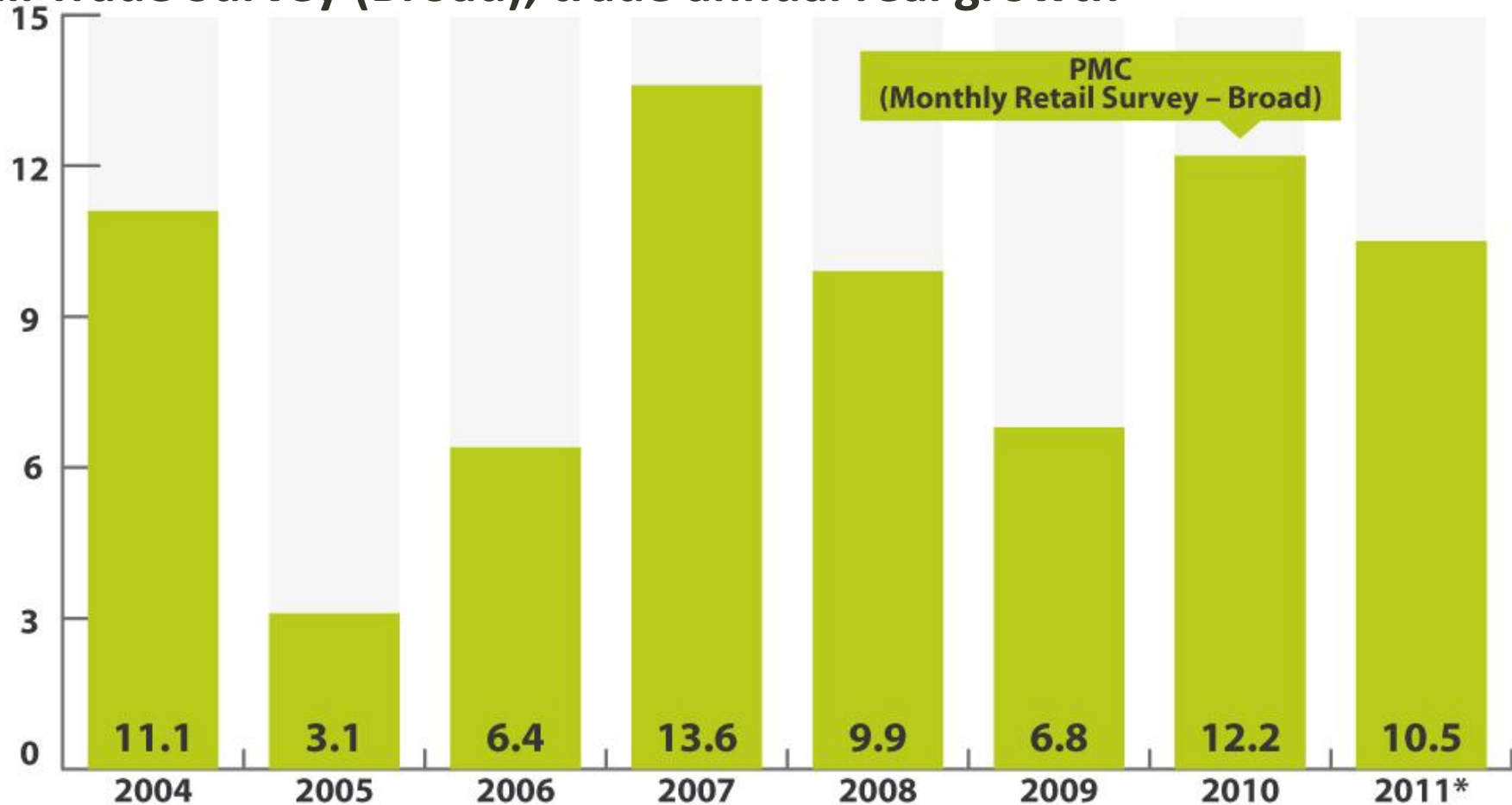


\* Updated on September 9th, 2011.

Source: Moody's  
Produced by: Ministry of Finance

# Brazil has a large and dynamic consumer market, making the country less dependent on foreign economies

Retail Trade Survey (Broad), trade annual real growth

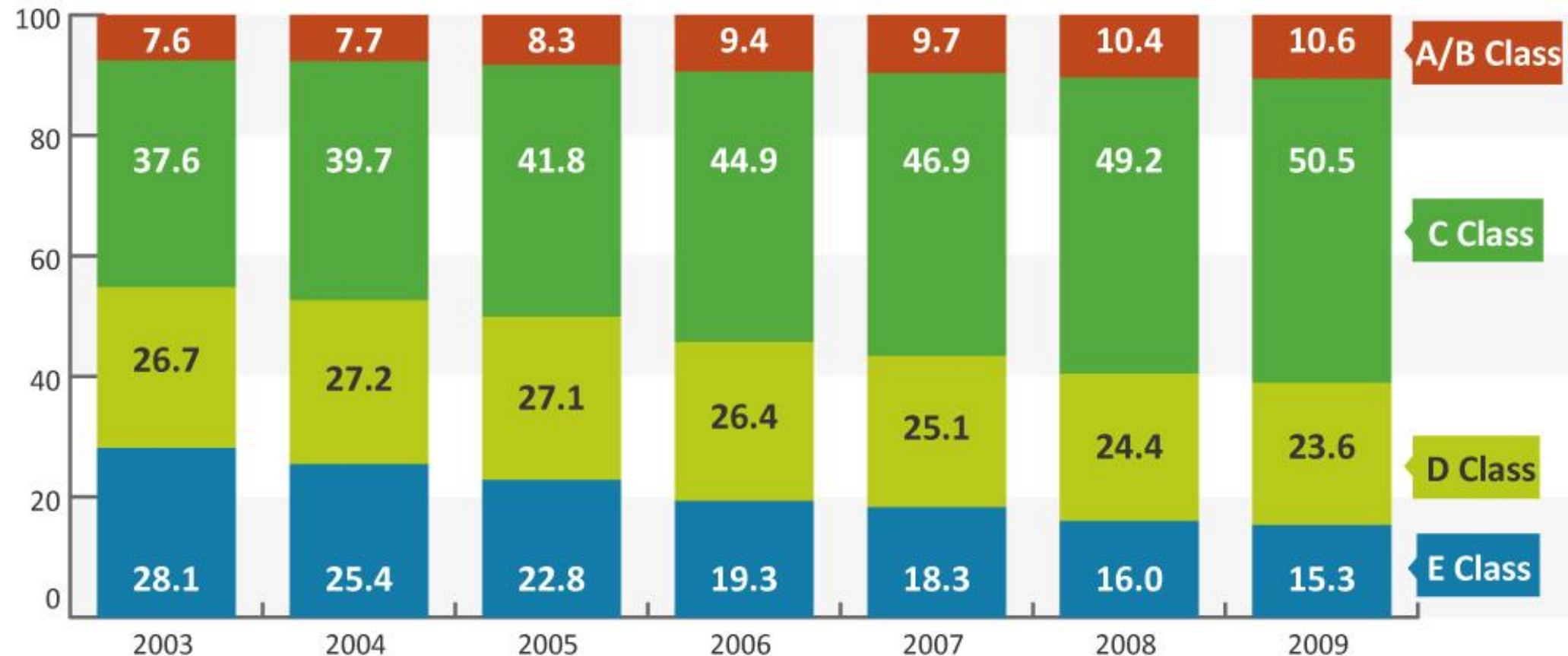


Source: IBGE

Produced by: Ministry of Finance

# Great increase of middle class

In % share of population\*



\* Household monthly per capita income per classes at 2009 prices:

A/B class: more than R\$ 4,800

C class: between R\$ 1,115 and R\$ 4,800

D class: between R\$ 804 and R\$ 1,115

E class: up to R\$ 804

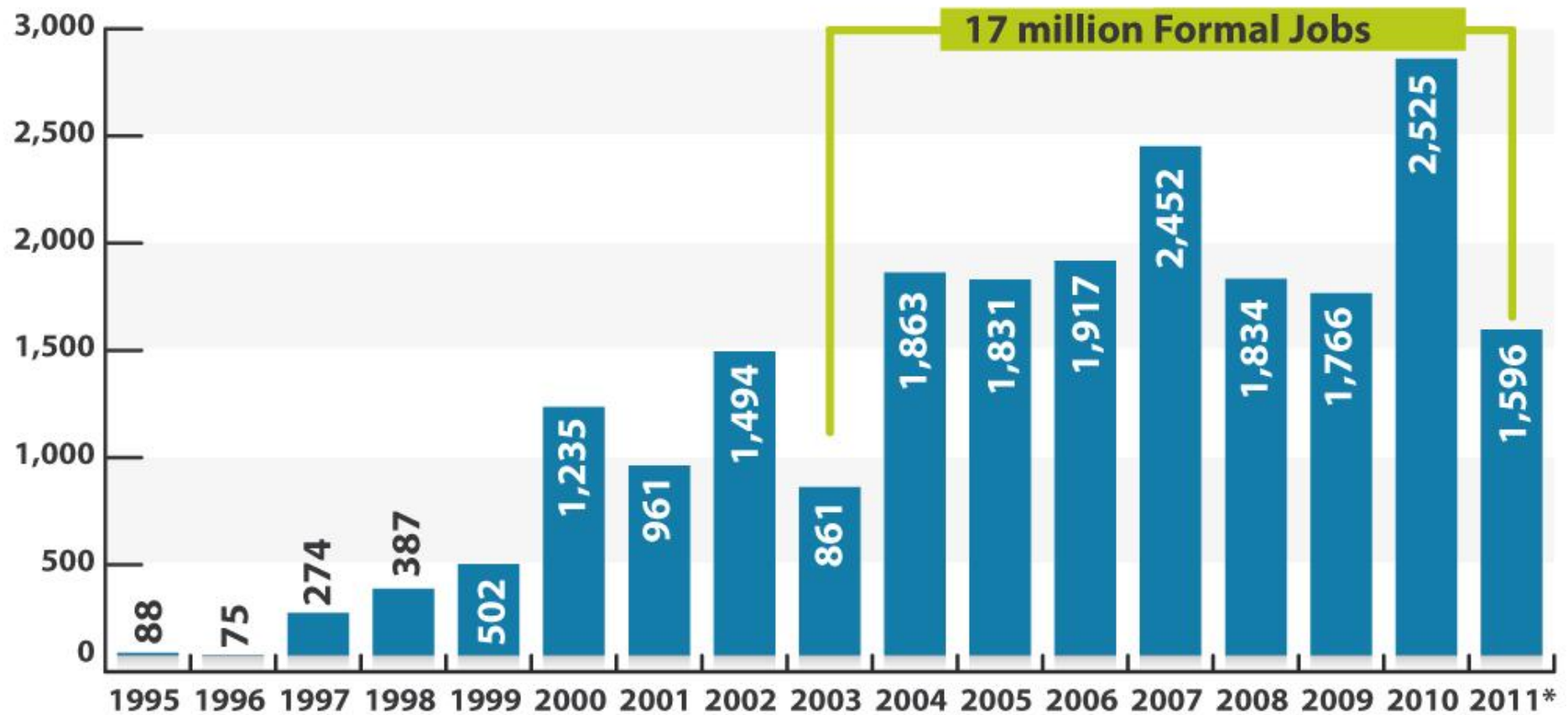
Source: Economatica Financial Consulting

Produced by: Ministry of Finance

# Strong increase in employment

## Brazil creates formal jobs even during crises

In thousands of jobs

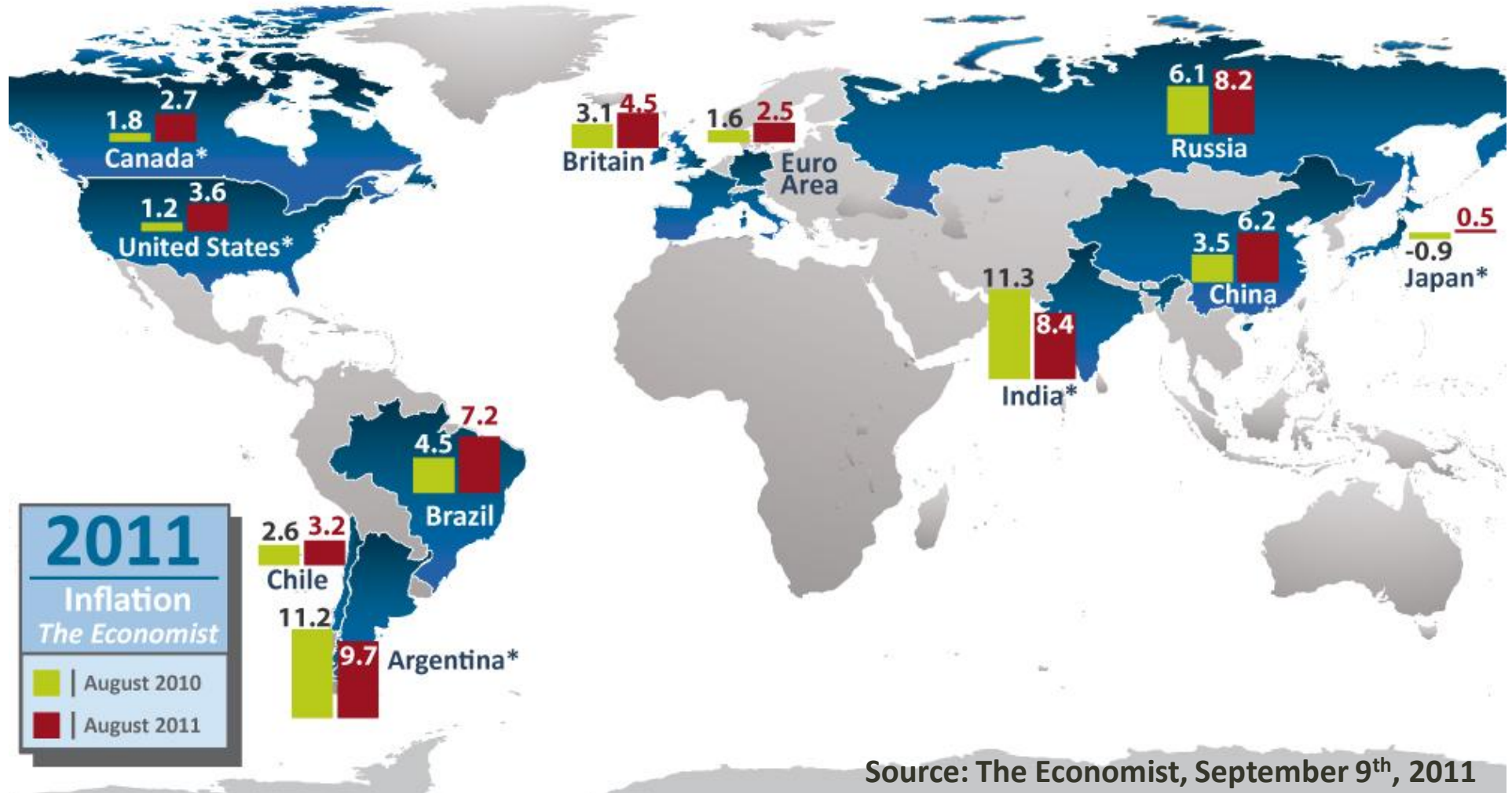


\* 2011: January-August.

Source: Ministry of Labor and Employment  
Produced by: Ministry of Finance

# Sound fundamentals

## Inflation rate, 12-month up to August



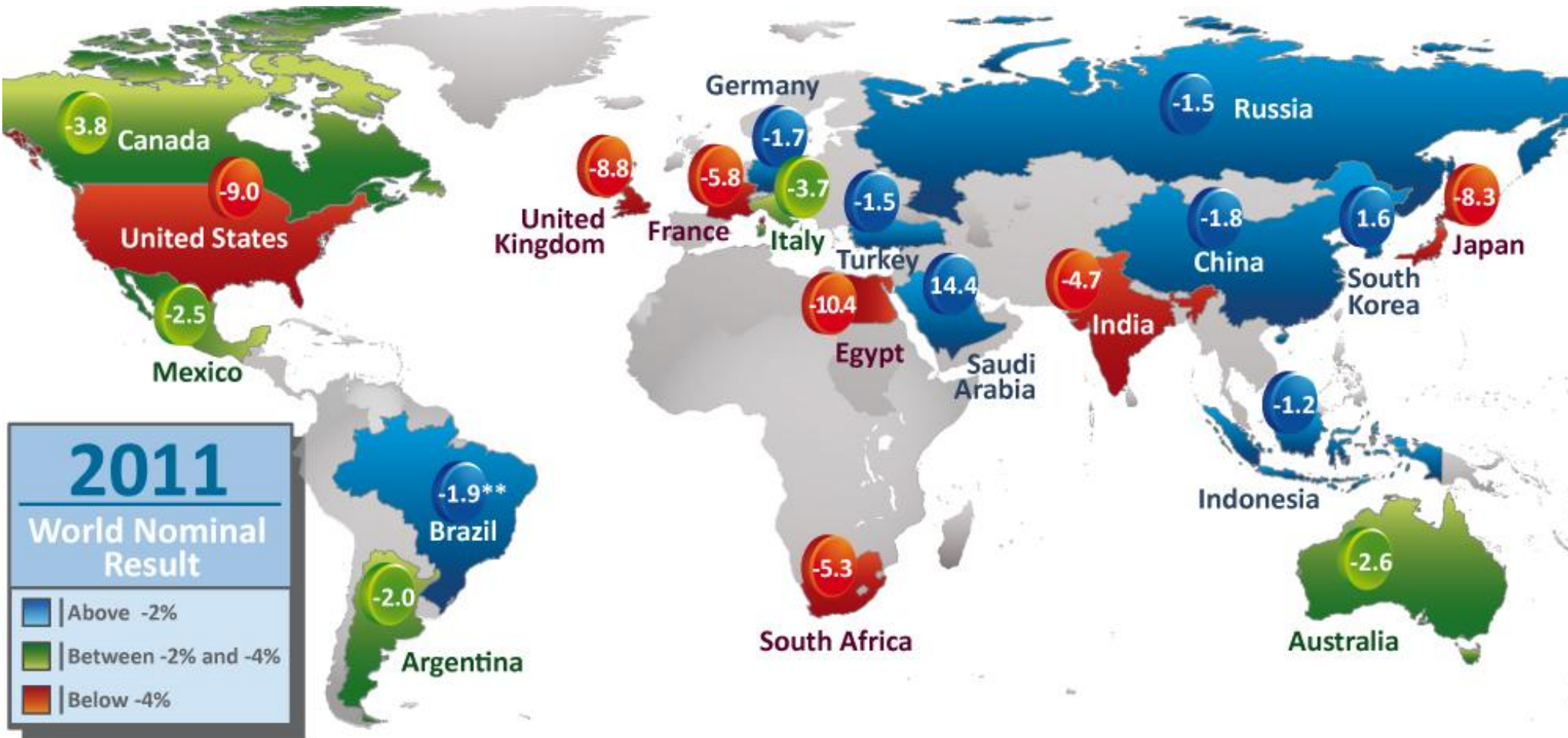
Source: The Economist, September 9<sup>th</sup>, 2011

Produced by: Ministry of Finance

\* On a 12-month basis up to July, 2011.

# Sound fiscal situation when compared to other countries

Budget balance forecast, in % GDP



\* The Economist (September 17th, 2011 edition)

\*\* For Brazil: Ministry of Finance forecast

Source: The Economist  
Produced by: Ministry of Finance

- ✓ To conclude: The emerging countries performance depends on the evolution of the current crisis.
- ✓ The 2011 challenge is no greater than 2008.
- ✓ In 2008, governments were fast in their decisions, audacious in their measures and managed to coordinate joint actions...
- ✓ ... which restored confidence.
- ✓ Now, in 2011, we have to repeat behavior:
  - Courage
  - Fast decisions
  - International coordination



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